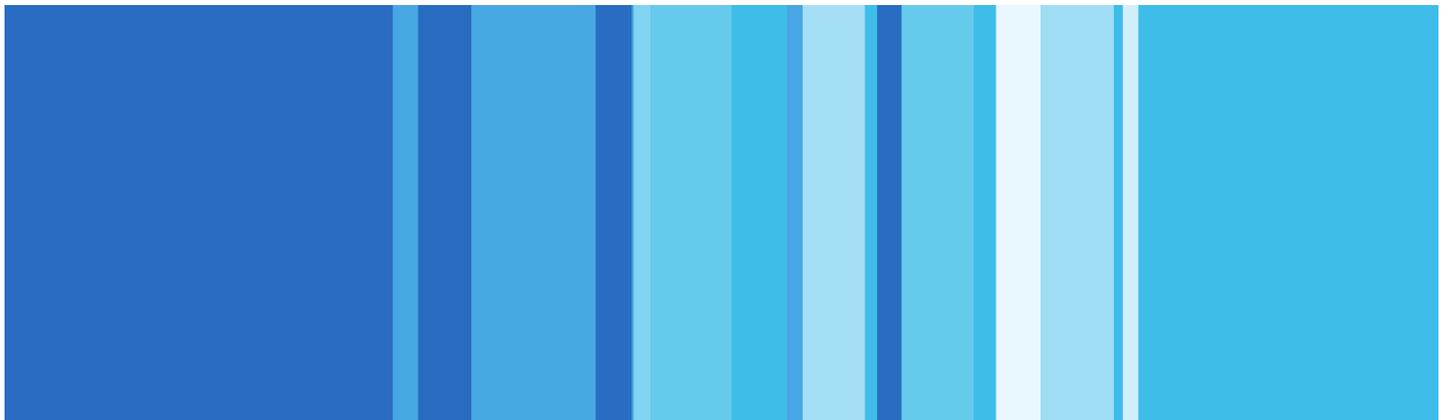


February 15, 2007



Minnesota State Grant Projections



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About the Minnesota Office of Higher Education

The Minnesota Office of Higher Education is a cabinet-level state agency providing students with financial aid programs and information to help them gain access to post-secondary education. The agency serves as the state's clearinghouse for data, research and analysis on post-secondary enrollment, financial aid, finance and trends.

The Minnesota State Grant Program, which is administered by the agency, is a need-based tuition assistance program for Minnesota students. The agency oversees tuition reciprocity programs, a student loan program, Minnesota's 529 College Savings Program, licensing and an early awareness outreach initiative for youth. Through collaboration with systems and institutions, the agency assists in the development of the state's education technology infrastructure and shared library resources.

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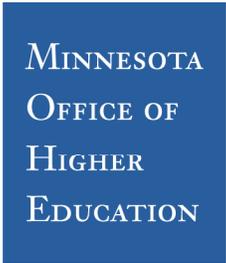
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Introduction

The purpose of this report is to meet the directive of Minnesota Session Laws 2005, Chapter 107 that requires the Minnesota Office of Higher Education to update projections of State Grant program spending for the 2006-2007 biennium. The law requires these updates to occur by November 1 and February 15 of each year. A meeting was held as required under the statute with interested parties including representatives from various public and private institutions, legislative staff and the Department of Finance on February 9, 2007. Information on enrollments, tuition and fee changes were provided by these representatives and are included in the projections contained in this report.

State Grant Activity

In February of 2006 the agency provided projections that indicated State Grant spending would be \$126.2 million for FY 2006 and \$134.75 for FY 2007.¹ This compares to appropriations of \$136.4 million and \$144.8 million for those years respectively. In this February report, a surplus of about \$18 million dollars below state appropriations was anticipated. Under provisions contained in the 2005 session laws, this amount was used to increase the living and miscellaneous expense (LME) allowance for school year 2007 by \$400.²

In September, fiscal year 2006 spending was closed out by the Department of Finance. At that time, spending for the State Grant program was about \$124.3 million, or about \$2 million below the February projection. Approximately \$12.1 million was carried forward from FY 2006 to FY 2007. At that time, the agency made a determination to increase the LME allowance a second time by \$315. This resulted in a total increase in the LME allowance of \$715 for fiscal year 2007.

The agency monitors spending activity by institutions on a monthly basis. This information can be used to project total spending for the year. Based on information collected through the end of January 2007, estimated spending for 2007 is about \$155 million. This includes spending related to the increased LME allowance.

Total resources for FY 2007 state grant spending are about \$158 million. This includes the appropriation of \$144.8 million, the carry forward of \$12.1 million and federal SLEAP and LEAP funds of about \$1.6 million. The agency has received approval from the Department of Finance to transfer part of the remaining appropriation from the State Grant program to the state's Post-Secondary Child Care Grant and Work Study programs.

The agency continues to work on procedures to improve the projections process of the State Grant program, paying particular attention to changes in income for grant recipient families.

¹ Projected Minnesota State Grant Spending, Fiscal Years 2006-2007, February 15, 2006

² Laws of Minnesota, 2005, Chapter 107, Article 1, Section 2, Subdivision 2. In that Act the LME was set at \$5,350. The adjustment increased this to \$5,750.